Sales and Use Tax (Drop Shipments)

What tax is owed on drop shipments in Colorado?

In Colorado there can be several scenarios determining what tax is owed and how it is paid.

The tax owed depends upon whether or not the seller has an actual physical location within Colorado thereby establishing nexus (actual place of business or affiliate located in Colorado). If the seller has an actual place of business in Colorado, then the 2.9 percent state sales tax will be due, including any applicable state-collected local or special district taxes even if the merchandise is drop shipped from an out-of-state manufacturer. The tax is invoiced by the seller to the customer who pays the tax and the tax is treated as any other taxable sale in Colorado.

If the seller is out-of-state *only* and the manufacturer who drop ships the merchandise and the buyer are located in Colorado then the seller should still collect the 2.9% Retailer's Use tax on the sale of the item as well as any applicable special district use taxes.